

Item: 11

Policy and Resources Committee: 20 April 2021.

Early Learning and Childcare.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To consider an hourly rate for the temporary Council provision of childcare.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 30 June 2020, having considered a number of options in relation to the provision of early learning and childcare, the Council resolved that Option 6, being a hybrid option including elements of Options 2 and 5, in order to meet the short and long terms needs for early learning and childcare, be adopted, which incorporated the following:

- Temporary provision of a 0-5-year olds and out of school care service.
- Building suitable accommodation for a new provision adjacent to Orkney College.
- Undertaking a tender exercise for a commercial operator to run a service for 0-5-year olds.
- Formally requesting financial support, including capital contributions, from partners within the Orkney Community Planning Partnership.

2.3.

That, on 14 January 2021, the Council noted the outcome of a property review which indicated that the former Papdale Halls of Residence, whilst not ideal, was determined to be the only suitable property within the Council's current property portfolio in which temporary childcare provision could be established.

2.4.

That the existing premises at the former Papdale Halls of Residence are not large enough to enable 3-5 year olds to attend, therefore until the new provision is completed, the focus for temporary childcare will be for 0-3 year old children, where there is the greatest need.

2.5.

That, due to the staffing ratios required for the youngest children and in order for the service to be cost neutral, the hourly charge per place will require to be set at an unaffordable rate.

2.6.

That it is very unlikely that any day nursery would be able to run at 100% capacity and, accordingly, a number of risk mitigations are proposed in order to minimise losses to the Council, as detailed in section 6 of this report.

It is recommended:

2.7.

That a price of £6.00 per hour is set for the temporary Council provision of childcare for 0-3 year old children.

2.8.

That the undernoted estimated budget shortfalls of operating the temporary Council provision of childcare for 0-3 year old children, be funded as follows:

- Financial year 2021/22 (July 2021 to March 2022) – up to £170,000 to be met through a one-off contribution from the General Fund Contingency.
- Financial year 2022/23 – up to £255,000 to be met through a one-off contribution from the General Fund Balance.

3. Background

3.1.

At the Special General Meeting held on 30 June 2020, the Council considered a range of issues in relation to the provision of early learning and childcare in Orkney.

3.2.

Having considered a number of options, the Council resolved that, in order to meet the short and long terms needs for early learning and childcare, an option be adopted, which incorporated the following:

- Temporary provision of a 0-5-year olds and out of school care service.
- Building suitable accommodation for a new provision adjacent to Orkney College.
- Undertaking a tender exercise for a commercial operator to run a service for 0-5-year olds.
- Formally requesting financial support, including capital contributions, from partners within the Orkney Community Planning Partnership.

3.3.

At the Special General Meeting held on 14 January 2021, the Council noted the outcome of a property review which indicated that the former Papdale Halls of Residence, whilst not ideal, had been determined to be the only suitable property within the Council's current property portfolio in which a temporary provision could be established. In order to meet the current requirements of the Care Inspectorate, refurbishment requirements included remodelling toilet facilities, providing separate changing spaces for toddlers and babies and providing a cleaning cupboard and laundry space.

3.4.

The Council further resolved to increase the provisional budget for repairs and refurbishment by £88k to £188k, funded by a contribution from the Repairs and Renewals Fund.

3.5.

Parents with young children continue to make enquires about the provision. It is anticipated that it will be ready to open in July/August 2021. In order to enrol children, it is important to let them know how the setting will operate and what they can expect to pay.

3.6.

While a new charging policy would normally be the subject of a proposal for consideration by the Corporate Charging Consultative Group in the first instance, in advance of the budget setting process for the forthcoming financial year, there is a degree of urgency required, hence this report being submitted to the Policy and Resources Committee for consideration.

4. Update on Repairs and Refurbishment (Start-up)

4.1.

Work is underway to complete the necessary repairs and refurbishment. This is being carried out within a fixed price contract with an expected outturn as indicated in the table below, against an agreed budget of £188k:

Fixed Price Contact for Works:	£102k
Fees - 15%	£15k
Contingency - 10%	£10k
Total for works	£128k

4.1.1.

While the contract is still 'live', monitoring indicates that the project is both on time and on budget.

4.2.

A further budget of £60k has been assigned for the purchase of equipment for care and learning, bringing the overall start-up costs to £188k.

4.3.

It is anticipated that the majority of the nursery equipment included in the cost estimates above at £60k, will be recycled into the new permanent Early Learning and Childcare facility, or alternatively, into existing local authority nurseries.

4.4.

Children aged 3-5 are able to be accommodated within existing local authority nurseries, although this is very tight and, later in the year, new arrivals may have to attend outwith Kirkwall settings due to the expansion works at Glaitness nursery not being completed. The 1140 hours offer includes year-round and extended day provision in a number of settings. As child-minders are very full, there is currently little childcare provision for children aged 0-3. The existing premises where the new nursery will operate are not large enough to enable 3-5 year olds to attend, therefore until the new provision is completed, the focus for the temporary childcare will be for 0-3 year old children.

4.5.

The room sizes in the former Papdale Halls of Residence total approximately 110 square metres of usable playroom space, including the former sleep room. This means that the nursery could be registered for up to 12 babies and 20 toddlers (subject to Care Inspectorate agreement) making 32 in total, rather than 27 as originally modelled. Babies require a 1:3 staffing ratio and toddlers 1:5. By adding on one more group of toddlers, it is slightly easier to reduce the gap between costs and income.

5. Affordability, Price Point and Hourly Rate

5.1.

Various costings are detailed in the spreadsheet attached as Appendix 1 to this report, colour shaded to indicate approximate break-even and loss points.

5.2.

Given that the Real Living Wage is currently £9.50 and the National Living Wage is just over £9, choosing an affordable price point that parents might be able to afford is challenging. A 0-3 childcare facility cannot break even if an affordable fee is charged. It is the 3-5 year old children, who require a ratio of 1:8, that support a break-even position. This will be provided in the new provision which will be able to cater for 51 children at any one time, including up to 24 3-5 year olds.

5.3.

Generally, day nurseries charge around £5-£6 per hour, with discounts for additional children, or increased attendance. Clearly, catering for the 0-3 age group at £5-£6 per hour and with any discounts offered, losses would be incurred. This will however be a temporary situation pending construction of the new facility, whereafter the opportunity to expand provision to older children will improve the economics of the facility.

5.4.

It is very unlikely that the nursery would be able to run at 100% capacity. Many of the Council's settings run well below that once parental choice has been taken into consideration, for example, Friday afternoons are often much quieter. Any quiet afternoons would be used to give the staff non-contact time, which is essential for quality and maintenance, however, this would also mean that the gap between fee and wage costs would increase.

5.5.

Assuming an 85% take up, the price point for a break-even model would be in the order of £9.00 per hour. In contrast, the price point at the upper end of what might be considered an affordable rate would be £6.00 per hour. This rate would lead to an in year overspend of approximately £125k for the part-year in 2021/22 and a full year 'running cost' in the order of £190k.

6. Risk Mitigation

6.1.

Places would be offered to babies aged 6 months and over, and children would lose their place when they had entitlement at their own setting (usually from the term after their third birthday). The Education Service would also use the temporary provision for funded two-year olds. The cost for these children would be covered by the early years' service budget.

6.2.

It is very unlikely that any day nursery would be able to run at 100% capacity, however, the following is suggested to mitigate risks/reduce losses:

6.2.1. Sessions

Rather than booking hours as and when, parents would be able to book the following only:

- Morning session (08:00 to 13:00).
- Afternoon session (13:00 to 17:30).
- All day session (08:00 to 17:30).

6.2.2. Fixed hourly rate

Many nurseries offer discounts for two children, or for taking more hours. Having a fixed hourly rate will cost parents more, however, the income would be more predictable.

6.2.3. Food

There will be a lunch offer (cooked meal only) which parents will be charged for separately, the price to be set in agreement with the School Meals service. A snack will be included within the fees.

6.2.4. Holiday Allowance

In addition to the closure days at Christmas, parents will have a four week holiday entitlement. Any additional holiday time taken will be charged for.

6.2.5. Sickness Absence

Parents will be charged for days that their child is not attending due to illness. If a child is going to be off for more than two weeks, then the parent should speak to the manager. In this case, fees may not be charged, in accordance with the existing charging policy for Early Learning and Childcare settings.

6.2.6. Changing the day of attendance each week

Random or varied attendance will not be able to be accommodated. However, parents may ask if there is any availability for ad hoc sessions and the manager will accommodate requests if there is space.

6.2.7. One week off/ one week on

If parents wish to use one or two weeks every month, then they will need to pay for the full month to retain the space.

6.2.8. Changing arrangements

Parents will need to give 4 weeks' notice of any significant changes they wish to make, eg reducing/stopping sessions. If a parent wished to change/swap a session for any reason, then they would contact the manager who would see if the request could be accommodated.

6.2.9. Payments

Payments would be made a month in advance. Any ad hoc sessions taken during the month would be added to the next bill.

7. Corporate Governance

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

8. Financial Implications

8.1.

This report is seeking to establish the optimum price point for the hourly charge that maximises income and uptake and therefore minimises the cost to the Council but also remains affordable for parents.

8.2.

The suggested price point of £6 per hour is at the upper end of benchmarked day nursery charges but is also recommended as this is felt to be a rate that would be sustainable for a private operator in a new facility when additional income streams from looking after older children would become available.

8.3.

Appendix 1 sets out various scenarios for the net cost of providing the service assuming different levels of income and fee. At a £6 per hour charge and 85% take up, the full year income raised would be £387,600 against full year costs of £574,080 and require an annual subsidy of £186,480. In the first year of operation the subsidy will only be required for around eight months at approximately £125,000.

8.4.

At £6 per hour and 70% uptake of available spaces this would require a subsidy of £170,000 in 2021/22 and £255,000 in 2022/23. Whilst an 85% or higher uptake will be targeted, a budget planning assumption at 70% uptake would give the service greater comfort is achieving a financial target. It is therefore proposed that contributions of up to the subsidy level required at a 70% uptake are provided as one-off rather than baseline budget adjustments.

8.5.

A temporary budget provision will be required to cover the subsidy requirement until the new facility has been completed and the running transferred to a private operator. This temporary budget could be sourced from the General Fund Contingency in 2021/22 which is £1,084,000. A temporary budget would also be required in 2022/23 which could be addressed in the budget setting process for 2022/23 or agreed now as a one off contribution to be sourced from the General Fund balance which, as at 1 April 2020, stood at £8,784,300.

9. Legal Aspects

9.1.

In terms of Section 20 of the Local Government in Scotland Act 2003, the Council has power to do anything which it considers is likely to promote or improve the well-being of its area and persons within it, or either of these.

9.2.

In terms of the Provision of Early Learning and Childcare (Specified Children) (Scotland) Order 2014 as amended, the Council has a statutory duty to secure the provision of the mandatory amount of early learning and childcare for eligible pre-school children.

9.3.

Eligible pre-school children include children who are under school age, have not commenced attendance at a primary school and are either three years old or older, or are two years old and their parents are in receipt of certain qualifying benefits.

10. Contact Officers

James Wylie, Executive Director of Education, Leisure and Housing, extension 2401,
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Peter Diamond, Head of Education (Leisure, Culture and Inclusion), extension 2436,
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11. Appendix

Appendix 1 – Costings.

Appendix 1: Willow Tree Costings

Leadership team			
Position	FTE	Cost 35 hours	Cost 37 hours
ELC Manager	0.5	Cost neutral	
Senior EYP	1	37500	39600
TOTAL FTE	1.5		
0-2 Provision (12 places)			
Position	FTE	Cost 35 hours	Cost 37 hours
Lead EYP	1	37500	39600
EYP	1	31800	33500
EYP	1	28500	30000
EYP	1	33500	35300
EYP	1	31800	33500
EYP	0.75	23850	25125
EYP	0.75	23850	25125
TOTAL FTE	6.5		
2-3 Provision (20 places)			
Position	FTE	Cost 35 hours	Cost 37 hours
Lead EYP	1	37500	39600
EYP	1	33500	35300
EYP	1	28500	30000
EYP	1	31800	33500
EYP	0.6	20100	21180
EYP	0.6	19080	20100
EYP	0.6	14310	15075
EYP	0.6	14310	15075
TOTAL FTE	4.8		
Other staff			
Position	FTE	Cost 35 hours	Cost 37 hours
Admin	0.5	12700	12700
Cleaning	0.5	12700	12700
EYSW	0.6	17100	17100
Total		489900	514080

Expenditure	Cost	Number of places	Hours available	Weeks open	Total hours available	Charge per hour	Income from anticipated uptake per place/hour						
							100% uptake	95% uptake	90% uptake	85% uptake	80% uptake	75% uptake	70% uptake
Staffing	£514,080	32	47.5	50	76000	£10.00	£760,000	£722,000	£684,000	£646,000	£608,000	£570,000	£532,000
Approx running costs	£60,000	32	47.5	50	76000	£9.00	£684,000	£649,800	£615,600	£581,400	£547,200	£513,000	£478,800
		32	47.5	50	76000	£8.00	£608,000	£577,600	£547,200	£516,800	£486,400	£456,000	£425,600
		32	47.5	50	76000	£7.50	£570,000	£541,500	£513,000	£484,500	£456,000	£427,500	£399,000
		32	47.5	50	76000	£7.00	£532,000	£505,400	£478,800	£452,200	£425,600	£399,000	£372,400
		32	47.5	50	76000	£6.50	£494,000	£469,300	£444,600	£419,900	£395,200	£370,500	£345,800
		32	47.5	50	76000	£6.00	£456,000	£433,200	£410,400	£387,600	£364,800	£342,000	£319,200
		32	47.5	50	76000	£5.50	£418,000	£397,100	£376,200	£355,300	£334,400	£313,500	£292,600
	£574,080	32	47.5	50	76000	£5.00	£380,000	£361,000	£342,000	£323,000	£304,000	£285,000	£266,000

Key	
	Profit or near profit
	Up to £50,000 loss
	Up to £100,000 loss
	Up to £200,000 loss
	More than £200,000 loss